



SAHTU Land & Water Board
P.O. Box 1
Fort Good Hope, NT
X0E 0H0

July 19, 2013

Mr. Ken Hansen
Slater River Project Manager, NWT
Husky Oil Operations Ltd.
707 8th Avenue S.W.
Box 6525, Station D
Calgary, Alberta
T2P 3G7

Our File: S13A-002
S13L1-005
Your File:

Dear Mr. Hansen,

**RE: Issuance of Type A Land Use Permit and Type B Water Licence
Exploration Licence 462 and 463, Tulita District, NT**

Attached are Land Use Permit S13A-002 and Water Licence S13L1-005 granted by the Sahtu Land and Water Board (SLWB) in accordance with the *Mackenzie Valley Resource Management Act* and the *Northwest Territories Waters Act*. This Permit and Licence have been approved for a period of five years commencing July 19, 2013 and expiring July 18, 2018.

We have attached conditions and note that in accordance with Land Use Permit condition Part C: L.1, a security deposit in the amount of \$244,946.00 and in accordance with the Water Licence condition Part B: 16, a security deposit in the amount of \$361,659.00 shall be posted with the Minister and copied to the SLWB prior to the start of the operation pursuant to section 32 of the *Mackenzie Valley Land Use Regulations* and section 17 of the *Northwest Territories Waters Act*. Submit payment of the security, made out to the **Receiver General for Canada** in the amount of \$244,946.00 to: Aboriginal Affairs and Northern Development Canada, 86 Duck Lake Rd, PO Box 2100, Inuvik, NT, X0E 0T0, Attention: District Manager and \$361,659.00 to: Aboriginal Affairs and Northern Development Canada, Box 1500, Yellowknife, NT, X1A 2R3, Attention: Manager, Water Resources Division. Please copy the SLWB office prior to the start of your operation.

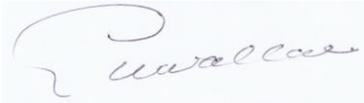
Copies of this Permit and Licence have been filed on the Public Registry at the office of the SLWB. This letter, all Inspection Reports, and correspondence related thereto is part of the Public Registry and is intended to keep all

interested parties informed of the manner in which the Permit and Licence requirements are being met.

Your full cooperation is anticipated and appreciated. If you have any questions or concerns, please contact Angela Love at (867) 598-2413 ext 227 or email at angela.love@slwb.com.

Yours sincerely,

Sahtu Land and Water Board

A handwritten signature in blue ink, appearing to read "Larry Wallace", is placed on a light blue rectangular background.

Larry Wallace
Chair



SAHTU Land and Water Board Water Licence

Pursuant to the *Mackenzie Valley Resource Management Act*, the *Northwest Territories Waters Act* and *Regulations*, the SAHTU Land and Water Board, hereinafter referred to as the Board, hereby grants to

Husky Oil Operations Limited

(licencee)

of **707 – 8th Avenue SW, Calgary, Alberta T2P 3G7**

(Mailing Address)

hereinafter called the Licencee, the right to alter, divert or otherwise use water subject to the restrictions and conditions contained in the *Mackenzie Valley Resource Management Act*, the *Northwest Territories Waters Act* and *Regulations* made thereunder and subject to and in accordance with the conditions specified in this licence.

Licence Number	<u>S13L1-005</u>
Licence Type	<u>“B”</u>
Location	<u>Slater River Drilling Program, Tulita District, 40 km SSE of Norman Wells</u>
Purpose	<u>Water use and waste disposal for industrial undertakings in oil and gas exploration and associated uses.</u>
Effective Date of Licence	<u>July 19, 2013</u>
Expiry Date of Licence	<u>July 18, 2018</u>

This Licence issued and recorded at Fort Good Hope includes and is subject to the annexed conditions.

Witness

SAHTU Land and Water Board

Chairman

**This Licence and conditions shall be kept on site.
If you have any questions please call the SAHTU Land & Water Board at
(867) 598-2413**

SAHTU LAND AND WATER BOARD

LICENSEE: Husky Oil Operations Limited
LICENCE NUMBER: S13L1-005
EFFECTIVE DATE OF LICENCE ISSUANCE: July 19, 2013

TERMS AND CONDITIONS

PART A: SCOPE AND DEFINITIONS

1. Scope

- a) This Licence entitles Husky Oil Operations Limited to use water and deposit waste for industrial undertakings in oil and gas drilling exploration on the southwest side of the Mackenzie River, approximately 40 km south-southeast of Norman Wells, Northwest Territories, located at:

Minimum Latitude: N 64°40' Maximum Latitude: N 65°20'
Minimum Longitude: W 125°45' Maximum Longitude: W 126°45'

- b) This Licence is issued, subject to the conditions contained herein, with respect to the taking of water and the depositing of waste of any type in any waters or in any place under any conditions where such waste or any other waste that results from the deposits of such waste may enter any waters. Whenever new Regulations are made or existing Regulations are amended by the Governor-in-Council under the *Northwest Territories Waters Act*, or other statutes imposing more stringent conditions relating to the quantity or type of waste that may be so deposited or under which any such waste may be so deposited, this Licence shall be deemed upon promulgation of such regulations, to be automatically amended to conform with such regulations; and
- c) Compliance with the terms and conditions of this Licence does not absolve the Licensee from responsibility for compliance with the requirements of all applicable federal, territorial and municipal legislation.

2. Definitions

In this Licence: S13L1-005,

“**Act**” means the *Mackenzie Valley Resource Management Act* and/or the *Northwest Territories Waters Act*.

“**Analyst**” means an Analyst designated by the Minister under Section 35(1) of the *Northwest Territories Water Act*.

“Artesian Aquifer” means a water-bearing rock stratum, which when encountered during drilling operations, produces a pressurized flow of groundwater that reaches an elevation above the water table or above the ground surface.

“Board” means the Sahtu Land and Water Board established under Section 60(1) of the *Mackenzie Valley Resource Management Act*.

“Drilling Fluids” means any mixture of water, drilling muds, additives and various other wastes that are pumped down hole while drilling and are specifically related to drilling activity.

“Drill Waste” all materials or chemicals, solid or liquid, associated with the drilling, including drill cuttings and Drilling Fluids.

“EC50(15)” means in a bioassay test, the effluent is deemed excessively toxic if the light emission of a marine bioluminescent bacterium colony is reduced by more than 50% over 15 minutes when challenged by a sample containing a toxic substance. A test result of greater than or equal to 75 is considered a pass.

“Flowback” the flow of Fracturing Fluid back to the wellbore after fracture treatment is completed.

“Fracturing Fluid” the fluid injected at high pressure to perform a hydraulic fracturing treatment and includes the applicable base fluid and all additives.

“Inspector” means an Inspector designated by the Minister under Section 35(1) of the *Northwest Territories Waters Act*.

“LC50(96)” means in a bioassay test, that effluent is deemed acutely lethal if the undiluted (100%) effluent kills 50% or more of the fish in the test after 96 hours.

“Licensee” means the holder of this Licence.

“Microtox Test” means a bioassay test, that monitors changes in the level of light emission from a marine luminescent bacteria when challenged with a toxic substance or sample containing toxic materials, and is used to provide a more rapid, real-time measurement of acute toxicity. Microtox Test is measured as EC50(15) or IC50(15).

“Minister” means the Minister of Aboriginal Affairs and Northern Development Canada.

“Modifications” means an alteration to a physical work that introduces a new structure or eliminates an existing structure and does not alter the purpose or function of the work, but does not include an expansion.

“Ordinary High Water Mark” the usual or average level to which a body of water rises at its highest point and remains for sufficient time so as to change the characteristics of the land. In flowing waters (rivers, streams) this refers to the “active channel/bank-full level” which is often the 1:2 year flood flow return level. In inland lakes, wetlands, or marine environments, it refers to those parts of the Watercourse bed and banks that are frequently flooded by water so as to leave a mark on the land and where the natural vegetation changes from predominantly aquatic vegetation to terrestrial vegetation (excepting water tolerant species). For reservoirs, this refers to normal high operating levels (full supply level).

“Produced Water” means any waters produced during gas and oil extraction that cannot normally be disposed of at the surface of the earth because such waters can contain high levels of salts and trace levels of hydrocarbons and other pollutants.

“Regulations” means regulations proclaimed pursuant to Section 33 of the *Northwest Territories Waters Act*.

“Spill Contingency Planning” means a plan to establish a state of readiness which will enable prompt and effective response to possible spill or system failure.

“Surveillance Network Program” means a monitoring program established to define: environmental sampling and analysis requirements, to collect data on surface water and groundwater quality, and to assess discharge quality and licence compliance.

“Toxicity Bioassays” means tests used to determine if components that might be harmful to vegetation, microorganisms, aquatic species, as well as animals or humans are present, but are not normally detected in routine chemical analysis.

“Waste” means waste as defined by Section 2 of the *Northwest Territories Waters Act*.

“Waste Management Plan (WMP)” - a document, developed in accordance with the Board’s *Guidelines for Developing a Waste Management Plan* that describes the methods of waste management from waste generation to final disposal.

“Watercourse” a natural body of flowing or standing water or an area occupied by water during part of the year, and includes streams, springs, swamps and gulches but does not include groundwater.

“Waters” means any inland water, whether in a liquid or frozen state, on or below the surface of the land in the Northwest Territories;

PART B: GENERAL CONDITIONS

1. The water use fee shall be paid annually on or before July 19 of each year of this Licence.
2. The Licensee shall file an Annual Report with the Sahtu Land and Water Board not later than September 30th, 2013 and each year thereafter for the life of the Water Licence which shall contain the following information:
 - a) the monthly and annual quantities in cubic metres of fresh water obtained from all sources;
 - b) the monthly and annual quantities in cubic metres of each and all Waste(s) produced associated with exploratory drilling, including but not limited to, Flowback Fluid, Drill Waste, and Produced Water;
 - c) tabular summaries of all data generated under the Surveillance Network Program;
 - d) a summary of exploration and development activities as they relate to water use;

- e) a list of unauthorized discharges;
 - f) the details and results of the required Annual Summer Site Inspection;
 - g) a lease well pad schematic;
 - h) details of all closure and reclamation activities; and
 - i) any other details on water use or Waste disposal requested by the Sahtu Land and Water Board by November 1st of the year being reported.
3. The Licensee shall submit all reports in the units of measurement as outlined in Part B: General Conditions.
 4. The Licensee shall submit to the Sahtu Land and Water Board, at least 60 days before the commencement of operations, the complete risk assessment of potential fracture additives based on their potential health and environmental risks.
 5. The Licensee shall submit to the Sahtu Land and Water Board, within 30 days after the completion of hydraulic fracturing of each well, a list/report which identifies the Fracturing Fluid additives used, and which includes the following;
 - a) the trade name of each additive and a brief description of the intended use or function of each additive was used in the Fracturing Fluid such as acid, biocide, breaker, corrosion inhibitor, crosslinker, etc.;
 - b) the type and volume of base fluid(s) used in the hydraulic fracturing treatment, expressed in cubic metres;
 - c) the name of each chemical ingredient listed on the Material Safety Data Sheet (MSDS) for each additive, and the Chemical Abstracts Service registry number (CAS number) for each chemical ingredient. Where the specific identity of a chemical ingredient is considered a trade secret, a more general identification is to be used consistent with the MSDS;
 - d) the concentration of each chemical ingredient within the additive, expressed as a per cent of the total mass of the additive; and
 - e) the concentration of each chemical ingredient, expressed as a per cent of the total mass of the Fracturing Fluid including base fluid and additives.
 6. All laboratory test results shall be submitted to the Sahtu Land and Water Board and an Inspector, concurrently, within 48 hours of the Licensee receiving such results. The laboratory tests may include, but are not limited to: total waste samples, Microtox Test samples, LC(50)96 samples on test populations, other Toxicity Bioassays, unauthorized waste samples, baseline soil samples, parent material samples, supernatant fluid samples, artesian aquifer water samples, Produced Water samples, dissolved oxygen/temperature profiles and water quality sample results.
 7. Meters, devices or other such methods used for measuring the volumes of water used and waste discharged shall be installed, operated and maintained by the Licensee to the satisfaction of an Inspector.
 8. The Licensee shall maintain a copy of the Water Licence on-site at all times.

9. The Licensee shall comply with the Surveillance Network Program annexed to this Licence, and any amendment to the said Surveillance Network Program as may be made from time to time, pursuant to the conditions of this Licence.
10. The Surveillance Network Program and compliance dates specified in this Licence may be modified at the discretion of the Sahtu Land and Water Board.
11. The Licensee shall submit the results of the Annual Summer Site Inspection to the Sahtu Land and Water Board in the Annual Report as set out in Part B: Item 2 (f), which shall contain the details and results of the inspection as set out in Part E: Item 1 to 5 inclusive.
12. The Licensee shall ensure that all project activities are confined to locations as described in the Water Licence application.
13. The Licensee shall make every effort to retain riparian vegetation.
14. The Licensee shall not operate any machinery within 150 m of any known historical or archaeological site or burial ground.
15. The Licensee shall make every effort to ensure that no historical or archaeological site will be affected by this operation.
16. The Licensee shall provide and maintain with the Minister a security deposit in the amount of \$361,659.00 pursuant to subsection 17 (1) of the *Northwest Territories Waters Act*.
17. The Licensee shall provide written notification to the Sahtu Land and Water Board that the security deposit has been submitted prior to the start of operations.

PART C: CONDITIONS APPLYING TO WATER USE

1. The maximum allowable water volume from each water source are identified in the table below:

Water Source (WS)	Annual Volume (m³)
2	3,450
6	2,850
7 (Mackenzie River)	5,000

2. Water use for exploratory drilling and hydraulic fracturing shall be for the following wells;

Well Name	Latitude	Longitude
O-41	N65° 0' 53.1"	W126° 23' 22.7"
G-70	N64° 59' 28.4"	W126° 27' 13.1"
H-64 (existing)	N64° 53' 28.7"	W126° 11' 26.9"
N-09 (existing)	N64° 58' 55.4"	W126° 31' 26.9"

3. No groundwater well sources shall be used as a water source unless approved by the Sahtu Land and Water Board.

4. The Licensee shall not exceed 1,000m³ of water use for the purpose of hydraulic fracturing on each well.
5. The Licensee shall erect and maintain permanent conspicuous signage at all approved water sources. The signage shall be erected at or near the point where land and water interface nearest to the water intake location. Signage erected at all approved water sources shall include the following information: the words "Water Intake Site", the Water Licence file designation "S13L1-005" and the approved nomenclature for the water source as indicated in Part C, Item 1.
6. The Licensee shall maintain water uptake logs for all utilized sources. The water uptake logs shall include the following information: identification of water source, volume of water withdrawn per trip in cubic meters, cumulative uptake per source, time of uptake, date of uptake, and contractor and employee identification. These logs shall be included as part of the Annual Report as per Part B, Item (2), (a).

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

1. The Licensee shall maintain a copy of the Waste Management Plan on-site in a readily available location to the satisfaction of an Inspector.
2. The Licensee shall adhere to the approved Waste Management Plan and shall annually review the Plan and make any necessary revisions to reflect changes in operations, technology, chemicals or fuels, or as directed by the Sahtu Land and Water Board. Revisions to the Plan shall be submitted to the Sahtu Land and Water Board for approval.
3. The Licensee shall ensure that any fuels, chemicals, or Waste(s) associated with this undertaking do not enter any Waters.
4. All Drill Waste solids and fluids, except the freshwater-based surface drill fluids and solids, must be stabilized and removed for disposal to an approved waste disposal facility outside of the Northwest Territories. The freshwater based surface drill fluids and solids shall be analyzed as per the Surveillance Network Program in Annex X prior to discharge.
5. All Produced Water and Flowback shall be deposited at an approved waste disposal facility outside of the Northwest Territories.
6. The Licensee shall notify the Sahtu Land and Water Board and an Inspector, in writing, 48 hours prior to the shipping of any Drill Waste.
7. The Licensee shall not at any time, deposit Drill Waste to a sump.
8. If, during drilling, an artesian aquifer is encountered producing water flowing at the surface, the Licensee shall employ an appropriate drilling technology, as necessary, to prevent artesian aquifer waters from flowing off-lease and to minimize the quantity of such waters that will be stored in the bermed area.
9. The Licensee shall notify the Sahtu Land and Water Board of the flow rate of the artesian Aquifer within 24 hours of the occurrence. The flow rate shall be reported in cubic metres per minute.

10. Within 24 hours after the cessation of the flow of artesian aquifer waters, the Licensee shall report to the Sahtu Land and Water Board the total amount of such waters that has been generated by the artesian aquifer and the amount of artesian aquifer waters that shall be stored in the bermed area or otherwise approved storage area. The amounts reported shall be in cubic metres.
11. If, during drilling an artesian aquifer is encountered, a sample of not less than ten litres shall be collected from the flowing source at the point of discharge from the well. Five litres shall be made available to an Inspector for analysis, and the Licensee shall have the remaining five litres analyzed for the following parameters and provided for the approval of an Inspector:

Analyte	Unit of Measurement***
Electrical Conductivity	DS/m at 25° C
pH	Report Result
Total Suspended Solids	mg/L
Total Dissolved Solids	mg/L
Sulphate	mg/L
Chloride	mg/L
Sodium	mg/L
Copper	mg/L
Cadmium	mg/L
Iron	mg/L
Nickel	mg/L
Lead	mg/L
Zinc	mg/L
Chromium	mg/L
Potassium	mg/L
Calcium	mg/L
Magnesium	mg/L
Hydrocarbons	<0.1% on a dry weight basis
Toxicity (Microtox EC50(15))*	Pass=EC50(15)>/=75%
LC50(96) Toxicity Testing*	Test sample is of acutely lethal toxicity if test population mortality equals or exceeds 50% of the test population in 96 hour time period
Microtox EC50(15) With Charcoal Filtration**	Pass with Charcoal Filtration=EC50(15)>/=75%

*Applicant must complete either a Microtox EC50(15) toxicity test, a LC50(96) toxicity test or both.

** If original microtox tests fail the applicant may perform the microtox test with charcoal filtration.

***All results must be reported in indicated units of measurement.

12. The disposal of fluids generated by an artesian aquifer to other than a bermed area, or other self-contained area, requires the approval of the Sahtu Land and Water Board and an Inspector.
13. Upon the completion of each drilling operation, the Licensee shall, where fluids generated by an artesian aquifer are encountered, seal the borehole in such a manner as to permanently prevent any further outflow of water.
14. The sealing of an artesian aquifer shall be to the satisfaction of an Inspector.

15. The Licensee shall not allow any Drill Waste to spread off-lease to the surrounding environment. This includes artesian waters, Produced Water, and Flowback Fluids.

PART E: CONDITIONS APPLYING TO CLOSURE AND RECLAMATION

1. The Licensee shall monitor the project area affected by activities relating to the issued Water Licence for any negative environmental effects for a minimum of five years to ensure that mitigation, reseeding, erosion control and reclamation efforts have been successful. These efforts shall be performed to the satisfaction of the Sahtu Land and Water Board and an Inspector.
2. The Licensee shall inspect the project location for the parameters set out in Part E: Item 1 of this document once in the summer months. The inspection results shall be to the satisfaction of the Sahtu Land and Water Board and an Inspector.
3. During the five year monitoring period, any failure of the measures as set out in Part E: Item 1 and 2 shall be reported to the Sahtu Land and Water Board and an Inspector within seven days of the discovery of said failure or failures.
4. The Licensee shall submit a written report documenting the Annual Summer Site Inspection as set out in Part B: Item 11.
5. All disturbed areas relating to project activities shall be restored. The site shall be prepared in a manner that fosters natural re-vegetation, or fertilized and reseeded with an approved natural or native seed mixture to minimize sediment deposition into Watercourse(s).
6. The Licensee shall perform baseline soil sampling of the drill pad prior to the mobilization of persons and equipment to the drilling site. The samples shall be tested for the following parameters:

Analyte	Units/Description
Cation Exchange Capacity	meq/100g
Electrical Conductivity	dS/m@25°C
Solids	%
Calcium	mg/kg
Magnesium	mg/kg
Sodium	mg/kg
Potassium	mg/kg
Chloride	mg/kg
Sulfate-S	mg/kg
SAR	
Specific Gravity	As Received
Specific Gravity	Saturated Paste
pH	pH

*All results must be reported in indicated units of measurement.

7. The Licensee shall, if not submitted with the application, include the laboratory test results of the baseline soil sampling in the Annual Report which will be submitted as per Part B: Item 2.

PART F: CONDITIONS APPLYING TO STREAM CROSSINGS

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PART G: CONDITIONS APPLYING TO MODIFICATIONS

1. The Licensee may, without written approval from the Sahtu Land and Water Board, carry out Modification(s) to the planned undertakings provided that such Modification(s) are consistent with the terms of this Licence and the following requirements are met:
 - a) the Licensee has notified the Sahtu Land and Water Board in writing of such proposed Modification(s) at least five days prior to beginning the Modification(s);
 - b) such Modification(s) do not place the Licensee in contravention of either the Licence or the Act;
 - c) the Sahtu Land and Water Board has not, during the five days following notification of the proposed Modification(s), informed the Licensee that review of the proposal will require more than five days; and
 - d) the Sahtu Land and Water Board has not rejected the proposed Modification(s).
2. Modification(s) for which all of the conditions referred to in Part G: Item 1, have not been met may be carried out only with written approval from the Sahtu Land and Water Board.
3. The Licensee shall provide to the Sahtu Land and Water Board as-built plans and drawings of the Modification(s) referred to in this Licence within 90 days of completion of the Modification(s).

PART H: CONDITIONS APPLYING TO CONTINGENCY PLANNING

1. The Licensee shall maintain a copy of the Emergency Response Plan/Spill Contingency Plan on-site in a readily available location to the satisfaction of an Inspector.
2. The Licensee shall adhere to the approved Spill Contingency Plan and shall annually review the Plan and make any necessary revisions to reflect changes in operations, technology, chemicals or fuels, or as directed by the Sahtu Land and Water Board. Revisions to the Plan shall be submitted to the Sahtu Land and Water Board for approval.
3. If, during the period of this Licence, an unauthorized discharge of waste occurs, or if such a discharge is foreseeable, the Licensee shall:
 - a) report the incident immediately via the 24 Hour NT-NU Spill Report Line. Currently the number is (867) 920-8130 and/or e-mail spills@gov.nt.ca;

- b) report the unauthorized discharge of waste to the Sahtu Land and Water Board and an Inspector within 24 hours; and
 - c) submit to the Sahtu Land and Water Board and an Inspector, a detailed report on each occurrence not later than 30 days after initially reporting the event.
- 4. The Licensee shall ensure all refueling and storage of fuels, chemicals or deleterious substances, are located a minimum of 100 metres from the Ordinary High Water Mark of any Watercourse(s).
 - 5. Materials cleared from the project site shall not be placed within 100 metres of the Ordinary High Water Mark of any Watercourse(s) or in such a manner as to enter any Watercourse(s).

SAHTU LAND AND WATER BOARD



Witness



Chairman

SAHTU LAND AND WATER BOARD

LICENSEE: Husky Oil Operations Limited

LICENCE NUMBER: S13L1-005

**EFFECTIVE DATE OF
LICENCE ISSUANCE:** July 19, 2013

SURVEILLANCE NETWORK PROGRAM

A. Location of Surveillance Stations

<u>Station Number</u>	<u>Description</u>
S13L1-005 - 1	Freshwater drill fluids and solids from well O-41
S13L1-005 – 2	Freshwater drill fluids and solids from well G-70

B. Sampling and Analysis Requirements

1. Water at Station Number S13L1-005 – 1 and S13L1-005 - 2 shall be sampled and analyzed for the following parameters, and 48 hours prior to discharge, the Licensee shall notify an Inspector:

Total Petroleum Hydrocarbons (F1, F2, F3, F4 CCME Fractions)
Benzene, Toluene, Ethylbenzene, and Xylene
Lead, Chromium and Cadmium
Phenols
Polychlorinated Biphenyls
Polycyclic Aromatic Hydrocarbons
pH

2. Water or solids shall not be discharged until it meets or is lower than the CCME guidelines for the protection of aquatic life.
3. Sample frequency may be altered at the request/approval of an Inspector.
4. All analyses shall be performed in a laboratory accredited by the Canadian Association of Environmental Analytical Laboratories (CAEAL) for the specific analyses to be performed or as approved by an Analyst.
5. All sampling, sample preservation and analysis shall be conducted in accordance with methods prescribed in the current edition of "Standard Methods for the Examination of Water and Wastewater", or by such other methods as approved by the Analyst.

C. Reports

1. The Licensee shall, unless otherwise requested by an Inspector or the Sahtu Land and Water Board, include all of the data and information required by the Surveillance Network Program in the Licensee's Annual Report, which shall be submitted to the Sahtu Land and Water Board by September 30th of the year following the calendar year being reported.

SAHTU LAND AND WATER BOARD



Witness



Chairman



SAHTU Land & Water Board

REASONS FOR DECISION Issued Pursuant to Section 121 of

The Mackenzie Valley Resource Management Act and Section 26 of the Northwest Territories Waters Act

Water Licence Number: S13L1-005 (Type "B")

This is the decision of the SAHTU Land & Water Board (the Board) with respect to the preliminary screening of an application for a Water Licence dated May 22, 2013 made by:

Husky Oil Operations Ltd.
707- 8th Avenue S.W.
Calgary, Alberta
T2P 3G7

For: Water use and waste disposal for industrial undertakings in oil and gas exploration and associated uses within Exploration Licence 462 and 463 located approximately 40 km SSE of Norman Wells.

DECISION

Written notice of the Husky Oil Operations Ltd. Water Licence application was given to 14 organizations within the Sahtu Settlement Area and 15 outside of the Settlement Area in accordance with Sections 63 & 64 of the *Mackenzie Valley Resource Management Act* and Section 23 of the *Northwest Territories Waters Act*. A Public Hearing is not required for a Type B Water Licence.

As required by the *Mackenzie Valley Resource Management Act*, the Board conducted a preliminary screening of the application. The Board determined in accordance with s.125 of the *Mackenzie Valley Resource Management Act* that this development will not cause a significant adverse environmental impact and that it will not be a cause of significant public concern.

REASONS

The Board, having given due regard to the facts and circumstances, the merits of all the submissions made to it, and to the purpose, scope and intent of the *Mackenzie Valley Resource Management Act*, the *Northwest Territories Waters Act* and Regulations made there under decided that the effects of this development would be insignificant or could be mitigated with known technology, and as such that the application could proceed through the regulatory process. In making this decision, the Board gave careful consideration to the submission all participants in the proceeding, including the Applicant.

Consequently, Water Licence S13L1-005 will be issued subject to the terms and conditions contained therein.

The Board's reasons for this decision are as follows:

- Adequate time and information was given to participants to provide their views about potential environmental impacts of the drilling activities and proposed mitigation measures, based on the information provided by the Proponent during the initial review period.
- Any disturbance to the natural conditions of the land and the environment in the area affected by the drilling activities will be temporary and it will be minimized by conducting the operation in compliance with the terms and conditions.
- The use of land and water proposed by the Proponent is of a nature consistent with the *Mackenzie Valley Resource Management Act* and the *Northwest Territories Waters Act*.
- Under the authority of Section 17 of the *Northwest Territories Waters Act*, the Board requests a security deposit be held by the federal Minister in the amount of three hundred and sixty-one thousand, six

hundred and fifty-nine dollars (\$361,659.00). This security will ensure proper closure and reclamation of the area affected by the operation.

- The Board is satisfied that appropriate consultation has been conducted, and that advice has been sought and considered, in accordance with sections 63 and 64 of the *Mackenzie Valley Resource Management Act*.
- The Applicant has engaged with communities, interest groups and potentially affected parties to explain the proposed operation and addressed questions and concerns.
- It was determined that the terms and conditions set out in the Water Licence would adequately address and mitigate the concerns expressed and the environmental effects of the operation.
- Waste is defined in Section 2 of the *Northwest Territories Waters Act*. The Surveillance Network Program defines testing parameters that ensure no deleterious substance is discharged to either the land or water. Through appropriate discharge methods as described in the Waste Management Plan, freshwater drilling fluids and solids are not deleterious.

The Proponent has been notified through a provision included in the scope of the Water Licence, that compliance with the terms and conditions of this Licence has no effect on the Permittee's responsibility for compliance with the requirements of any other legislation.

Water Licence S13L1-005 contains provisions, which the Board feels necessary to ensure and monitor compliance with the *Mackenzie Valley Resource Management Act* and the *Northwest Territories Waters Act* and the Regulations made thereunder and to provide appropriate safeguards in respect of the Applicant's use of the waters affected by the Licence. The Board will provide any referenced material or documents and/or reasons for decision for any specific clause or clauses contained within the application if requested to do so in writing.

Signed this 19th day of July 2013 on behalf of the SAHTU Land & Water Board.

A handwritten signature in blue ink, appearing to read "Larry Wallace", is written over a light blue rectangular background.

Larry Wallace (Chairman)
SAHTU Land & Water Board